

Internal Revenue Service
District Director

Department of the Treasury

[REDACTED]

Date: JUN 5 1992

[REDACTED]

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for tax-exempt status under section 501(c)(3) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated on [REDACTED] in [REDACTED].

The purposes for which the corporation was formed are exclusively for fostering and promoting sports competition and basketball officiating and encouraging and maintaining the game of basketball.

The information submitted with your application Form 1023 indicates that your primary activity consists of making available to all organizations officially connected with the game of basketball a thoroughly trained corps of officials.

Section 501(c)(3) of the Code provides, in part, for the exemption from Federal income tax of organizations organized and operated exclusively for charitable, religious, scientific or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

In order to qualify under IRC 501(c)(3), an organization must be both "organized" and "operated" exclusively for one or more purposes specified in that section. If the organization fails to meet either the organizational test or the operational test, it is not exempt. (Regs. 1.501(c)(3)-1(a)(1)). The organizational test relates to the rules for governing an organization and the purposes stated in its articles of organization. The operational test relates to the organization's activities.

Section 1.501(c)(3)-1(c)(1) of the Regulations states that if more than an insubstantial part of an organization's activities is not in furtherance of exempt purposes, the organization will not be regarded as exempt.

In Better Business Bureau v. U.S., 326 U.S. 279 (1945), the Supreme Court stated that the presence of even a single, non-exempt purpose, if more than insubstantial in nature, will defeat exemption under Section 501(c)(3) of the Code, regardless of the manner or importance of the truly exempt purposes.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations provides, in part, that an organization is not organized or operated exclusively for one or more of the purposes mentioned in section 501(c)(3) of the Code unless it serves a public rather than a private interest. An organization may not be exempt if it is operated for the benefit of private individuals.

Section 1.501(c)(3)-1(d)(2) of the Regulations provides that the term "charitable" includes relief of the poor and distressed, advancement of education and science and the promotion of social welfare designed to accomplish any of the above purposes.

Section 1.501(c)(3)-1(d)(3) of the Regulations provides, in part, that the term "educational" relates to the instruction of the public on subjects useful to the individual and beneficial to the community. Museums and schools are included in the examples of educational organizations which, if they otherwise meet the requirements of section 501(c)(3) of the Code, may qualify under this section.

In Revenue Ruling 65-2, 1965-1 C.B. 227 it was held that the foundation was formed to provide educational and character building programs for the children of the community. Its activities consist of conducting clinics for student players in elementary and high school, at playgrounds and at parks, under the guidance of qualified instructors. It also holds coaching clinics for instructors of the student players.

The organization encourages youth participation in tournaments, arranges for attendance of players and instructors at state tournaments, and encourages good sportsmanship.

Funds of the organization are derived entirely from contributions by the interested public.

Membership is available to any interested person, but income may not inure to the benefit of any private individual.

Section 1.501(c)(3)-1(d)(2) of the income tax regulations provides that the term "charitable" includes lessening of the burdens of government and combatting community deterioration and juvenile delinquency.

In Revenue Ruling 77-365, 1977-2 C.B. 192 it was held that the organization was organized and operated to instruct and educate individuals of all ages and skill levels in a particular sport. It conducts clinics, workshops, lessons and seminars.

The organization does not establish rules, set standards for equipment or sponsor league competition for the sport in which it provides instructions.

Unlike the organizations described above, your organization serves the private individual interest of its members by providing jobs and training for its members. The spirit of fair play and sportsmanship may be an incidental by product of your activities.

Your organization is organized for a purpose not included within Internal Revenue Code section 501(c)(3). Your organization was formed to provide training of officials for officiating basketball games and scheduling for your members participation on high school and other basketball events.

Therefore, we have determined that you are not organized and operated exclusively for educational or other exempt purposes stated in section 501(c)(3) of the Code.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(3) of the Code and propose to deny your request for exemption under that section.

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

Contributions made to you are not deductible by the donors as charitable contributions as defined in section 170(c) of the Code.


If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time this determination will be considered final and the appropriate State Officials will be notified.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,


District Director

cc: 


Enclosure: Publication 892